

## CRISIS COMMUNICATIONS

# Nortel not guilty, crisis team proves

**Client:** Nortel Networks  
(Brampton, Ontario)

**PR Team:** Nortel in-house;  
Fleishman-Hillard (St. Louis)

**Campaign:** Emergency campaign to maintain stock price

**Time Frame:** Late afternoon, January 6 to early morning, January 7, 2000

**Budget:** Not Applicable

When Lucent Technologies blindsided investors on Thursday, January 6 by warning that its first-quarter earnings would fall below analysts' expectations, Andrew Lark, VP of global communications at rival Nortel Networks, quickly pulled himself out of a meeting.

As far as Wall Street was concerned, the two telecommunications outfits might as well be joined at the hip. With Lucent's warning issued just hours before the New York Stock Exchange's closing bell, Nortel's stock quickly followed Lucent's plunge. Nortel's market capitalization was in real jeopardy as the stock price quickly sank from \$88 to \$77 by the time the market closed.

## Strategy

Realizing after-hours trading would drag the price down even further, Lark quickly mustered senior management. In close communication with Nortel CEO John Roth, Lark quickly devised a plan of attack combining the expertise of

Nortel's internal PR staffers with Fleishman-Hillard's pros.

"The key was to dispel the assumption that Lucent is the telecom-equipment sector, and portray Nortel Networks as a solid performer in its own right," says Tom Pagano, senior vice president at Fleishman-Hillard.

## Tactics

Nortel and Fleishman-Hillard PR pros were huddled into three squads: the first crafting content, the second targeting print media and the last honing in on broadcast journalists.

By early evening, a news release was issued reassuring the media and investors that Nortel was confident in its own projections of strong earnings. The communications pros then spent the next four hours on e-mail and the phone with producers, news directors, reporters and editors reinforcing the release and providing additional background.

At around 5 o'clock the next morning, another round of calls was made, this time with a short list of securities analysts to support the assertion that Nortel Networks and Lucent had different customers, strategies, technologies and growth prospects.

## Results

Media coverage touted both Nortel's confidence in its financial projections and the company's aggressive PR plan in the wake of the Lucent warning – evident in such headlines as "Nortel Shares Surge as Rival Lucent Stumbles" (Reuters) and "Nortel Scrambles to Escape the Lucent Meltdown"

(TheStreet.com/NYTimes.com).

"The most crucial part of it was the timing," says Kevin Max, staff reporter for TheStreet.com/NYTimes.com. "If they had waited until the next day to issue the release and target the media, investors would not have met them with the increased enthusiasm we witnessed during after-hours trading."

From Thursday's close of \$77, Nortel's stock rebounded overnight, opening Friday at \$92 – a 19.5% gain. The upward trend continued as Nortel's stock closed at \$100.50 on Monday, January 10 – a 30.5% gain from the Thursday close, amounting to a market cap "save" of \$31.96 billion.

## Future

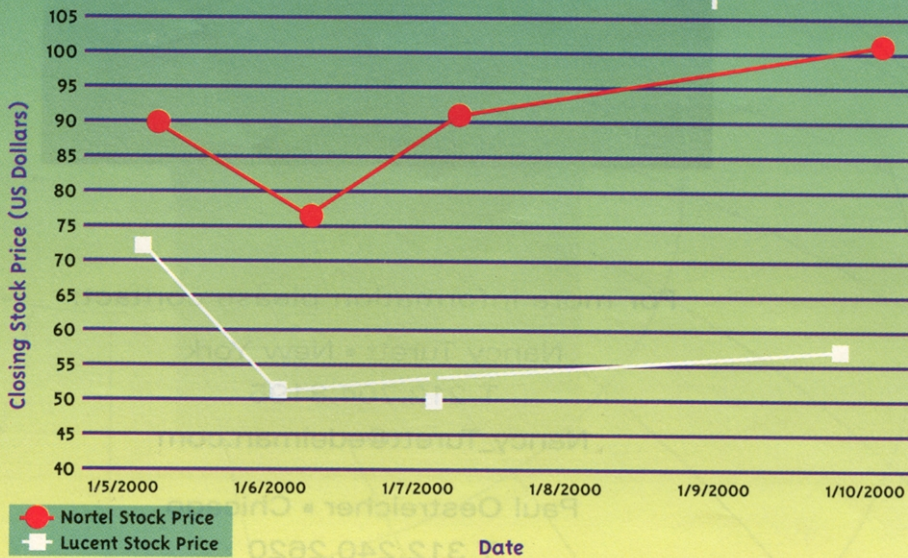
Nortel actually began its media outreach months earlier with story pitches, announcements, executive visits and other tactics.

The Lucent debacle provided a measuring stick to gauge how effective Nortel had been in divorcing its reputation from Lucent.

Though Nortel emerged stronger, the crisis exposed several holes in the company's communications processes, Lark says. "We were lucky a lot of things came together that I'm not sure will next time. Luckily, our CFO, legal counsel and I were all in the headquarters, with the CEO in close communication. We are now looking at ensuring synergy in the event of a crisis, as well as reviewing news tracking and other information systems."

Craig McGuire

## Nortel Networks / Lucent Stock Comparison



**Quick work...** Nortel turned its stock price around after plunge